

N00I00
Family Investment
Department of Human Resources

Operating Budget Data

(\$ in Thousands)

	<u>FY 07</u> <u>Actual</u>	<u>FY 08</u> <u>Working</u>	<u>FY 09</u> <u>Allowance</u>	<u>FY 08-09</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
General Fund	\$111,378	\$98,612	\$98,987	\$375	0.4%
Special Fund	16,150	15,578	15,662	84	0.5%
Federal Fund	<u>555,960</u>	<u>583,770</u>	<u>620,926</u>	<u>37,156</u>	<u>6.4%</u>
Total Funds	\$683,488	\$697,960	\$735,576	\$37,616	5.4%

- The allowance includes a fiscal 2008 federal fund deficiency of \$1,104,772 to improve the Food Stamp Program Access Index that measures the ratio of food stamp participants to the number of people below 125% of poverty based on census data. The funds represent a performance bonus award for the Food Stamp Program.
- The fiscal 2009 allowance grows by \$37.6 million, or 5.4%. However, the underlying fiscal 2009 budget change for this agency, absent health insurance and Other Post Employment Benefits funding which distorts year-to-year comparisons, is \$28.6 million, or 4.2%.

Personnel Data

	<u>FY 07</u> <u>Actual</u>	<u>FY 08</u> <u>Working</u>	<u>FY 09</u> <u>Allowance</u>	<u>FY 08-09</u> <u>Change</u>
Regular Positions	2,139.42	2,124.92	2,089.42	-35.50
Contractual FTEs	<u>32.00</u>	<u>121.00</u>	<u>121.00</u>	<u>0.00</u>
Total Personnel	2,171.42	2,245.92	2,210.42	-35.50

Vacancy Data: Regular Positions

Turnover, Excluding New Positions	104.26	4.99%
Positions Vacant as of 12/31/07	210.50	9.91%

- The fiscal 2009 allowance includes 35.5 fewer positions than are in the current year working appropriation. The reduction represents vacant positions that are abolished as part of the 500 statewide position reduction mandated by legislation passed during the 2007 special session.

Note: Numbers may not sum to total due to rounding.

For further information contact: Steven D. McCulloch

Phone: (410) 946-5530

- Family Investment had 210.5 vacant positions as of December 31, 2007, representing a vacancy rate of 9.91%. This number, however, includes the vacant positions that are abolished in the fiscal 2009 allowance. Net of the positions being abolished, there were 175 positions vacant for a vacancy rate of 8.38%.

Analysis in Brief

Major Trends

Increased Earnings After Leaving Welfare: About half of families formerly receiving cash assistance are working almost six years after leaving welfare. Median earning among these families increases steadily over time. For the second year in a row, the most recent leavers are employed at rates at or slightly above earlier leavers.

Lasting Exit from Temporary Cash Assistance (TCA) and Job Placements Projected to Decline: The slowing economy is expected to lead to a decrease in the percent of TCA cases that remain closed for 12 consecutive months. It is also expected to negatively impact the number of job placements for families receiving TCA.

Issues

The TCA Caseload Is Increasing and Could Require Additional General Fund Support Beginning in Fiscal 2009: The TCA caseload has been increasing since March 2007, and as of December 2007, stood at 53,316. Since the fiscal 2008 budget is based on an average monthly caseload of 49,239, it is likely under funded by just over \$14 million. Should these caseload trends continue through fiscal 2009, an equal shortfall will occur. These shortfalls would exhaust the projected Temporary Assistance for Needy Families (TANF) fund balance early in fiscal 2009 and would require a \$12 million deficiency appropriation for fiscal 2009.

Final TANF Regulation to Take Effect October 1, 2008: Since the reauthorization of TANF as part of the federal Deficit Reduction Act of 2005, TANF has been operating under interim final rules. The final rules were published in the *Federal Register* on February 5, 2008, and become effective October 1, 2008.

Local Family Investment Offices Experiencing High Vacancy Rates, Especially in Income Maintenance Specialists Classifications: The Local Family Investment Program had a vacancy rate of 8.7% as of December 31, 2007. Almost 80% of the vacancies were income maintenance specialist or income maintenance supervisor positions. These positions are responsible for benefit eligibility determinations and re-determinations. High vacancy rates impact clients awaiting benefits.

Recommended Actions

	<u>Funds</u>	<u>Positions</u>
1. Delete administrative specialist III position no longer detailed to the Office of the Governor.	\$ 45,110	1.0
Total Reductions	\$ 45,110	1.0

Updates

Maryland Exceeds Federal Work Participation Rate for Fiscal 2007: Despite changes to TANF under reauthorization which make it more difficult for states to achieve the federally required work participation rate, Maryland exceeded its target in fiscal 2007 and is on track to exceeding the target in fiscal 2008.

Recommendations of the Task Force to Study Incentives for Teen Parents to Stay in School to Be Implemented in Fiscal 2009: A task force convened pursuant to a request in the 2007 *Joint Chairmen's Report* made three recommendations related to keeping teen parents in school, seeking prenatal care, and pregnancy prevention. Although the task force did not complete its work in time for a formal request for funding to be made as the fiscal 2009 budget was being formulated, each of the recommended activities is a permissible use of TANF funds and the Department of Human Resources indicates it will implement the recommendations in fiscal 2009.

N00100 – DHR – Family Investment

N00I00
Family Investment
Department of Human Resources

Operating Budget Analysis

Program Description

The Department of Human Resources' (DHR's) Family Investment Administration (FIA), along with local Family Investment programs, administers cash benefit and other grant programs that provide assistance to individuals and families in financial need, as well as employment programs to promote self-sufficiency. Programs administered include:

- **Temporary Cash Assistance (TCA):** the State's largest cash assistance program, provides financial assistance to dependent children and other family members deprived of support due to the death, incapacitation, underemployment, or unemployment of one or both parents. Federal welfare reform legislation enacted in August 1996 eliminated an individual entitlement to cash assistance and replaced it with a Temporary Assistance for Needy Families (TANF) block grant. States receive their share of the block grant as long as they comply with a maintenance of effort requirement of 80% (75% if a state is successful in meeting the federal work participation rate). Under the legislation, states determine the eligibility criteria for TCA. The federal legislation also requires welfare recipients to work in order to receive assistance for more than two years and establishes a five-year time limit on the receipt of benefits with a hardship exemption for as much as 20% of the State's caseload.
- **Family Investment Program (FIP):** the State's program for serving welfare recipients, encompasses the provision of TCA and efforts to divert potential applicants through employment, move recipients to work, and provide retention services to enhance skills and prevent recidivism. The goal of FIP is to assist TCA applicants/recipients in becoming self-sufficient. After assessing each family's specific needs and resources, staff focus on the services required to move clients into work. TCA is provided only as a last resort. Applicants for cash assistance are required to cooperate with child support enforcement staff as a condition of eligibility and must undertake job search activities if asked. Recipients are sanctioned if they fail to comply with any work or training requirements. Screening of TCA recipients for substance abuse is mandatory, with participation in treatment required of individuals offered appropriate treatment.
- **Temporary Disability Assistance Program:** the State's program for disabled adults, provides a limited monthly cash benefit. The State is responsible for clients with a short-term disability (at least 3 months but less than 12 months). If the disability will last longer, the client may be eligible for federal disability payments through Supplemental Security Income (SSI). If so, they are required to pursue an SSI application and may receive help doing so. Those clients receive State cash assistance until their SSI applications are approved. The federal government reimburses the State for cash assistance paid during the processing of approved SSI applications.

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- **The Burial Assistance Program:** subsidizes funeral expenses of public assistance recipients, children receiving foster care, and Medical Assistance recipients. The program is funded by the State and local governments.
- **The Food Stamp Program:** provides benefits solely for the purchase of food items to individuals and families who meet income and resource requirements. Benefit costs are 100% federally funded, while the administrative costs are split evenly between the State and federal government. Maryland provided State-funded food stamps to legal immigrant children until October 1, 2003, when the Farm Security and Rural Investment Act of 2002 (commonly known as the Farm Bill) authorized federal food stamp benefits for qualified immigrant children.
- **Emergency Assistance to Families Program:** provides financial assistance to resolve an emergency situation as defined by the local department.
- **Public Assistance to Adults:** provides payments to indigent clients residing in licensed domiciliary care homes and to Project Home clients. Recipients include mentally and physically disabled adults and individuals with Acquired Immune Deficiency Syndrome who remain in their homes.

The local departments of social services are responsible for making eligibility determinations and re-determinations for the aforementioned programs, the State's subsidized child care program called Purchase of Care, and the Medical Assistance program which is administered by the Department of Health and Mental Hygiene. Local departments have the flexibility to create their own tailor-made welfare program and determine what training and job search activities will be required of applicants. In addition, the local departments are responsible for networking with employers and determining the most appropriate use for job training funds.

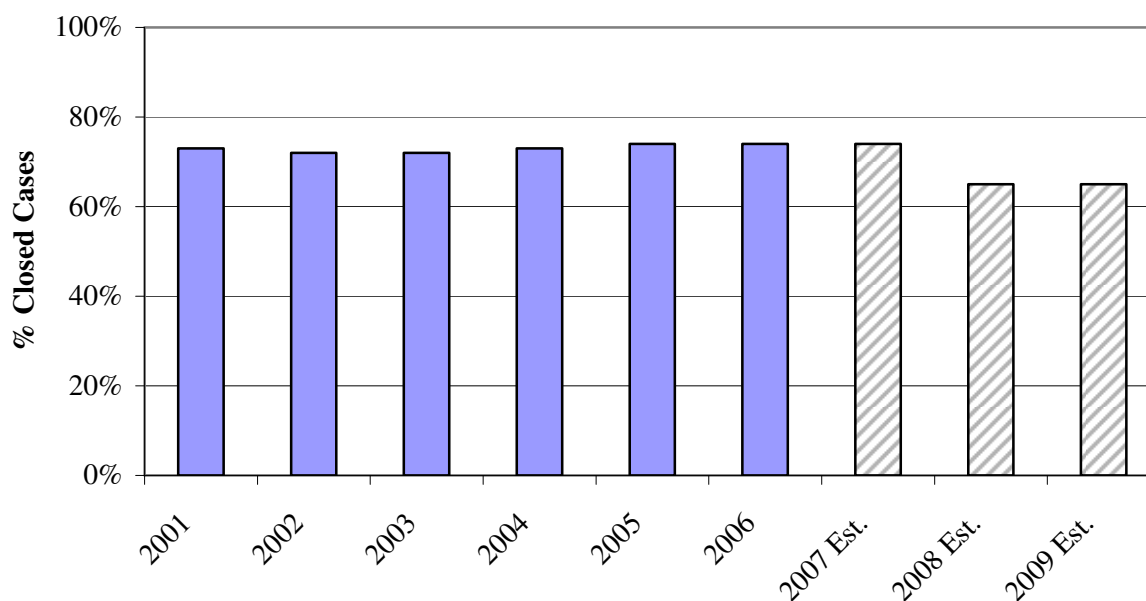
Key goals for FIA include:

- moving families with an employable parent and no children under the age of one toward a speedy and lasting exit from TCA;
- assuring individuals and families receive appropriate benefits;
- placing TCA individuals in employment where earnings increase over time; and
- increasing the number of TCA families where an adult family member obtains and retains employment.

Performance Analysis: Managing for Results

The first goal of FIA is to move families with an employable adult and no children under the age of one toward a speedy and lasting exit from TCA. **Exhibit 1** shows that performance relative to this goal has fluctuated over time between approximately 72%-74% but is projected to drop to about 65% as a result of the weakening economy.

Exhibit 1
Speedy and Lasting Exit from Temporary Cash Assistance
Fiscal 2001-2009

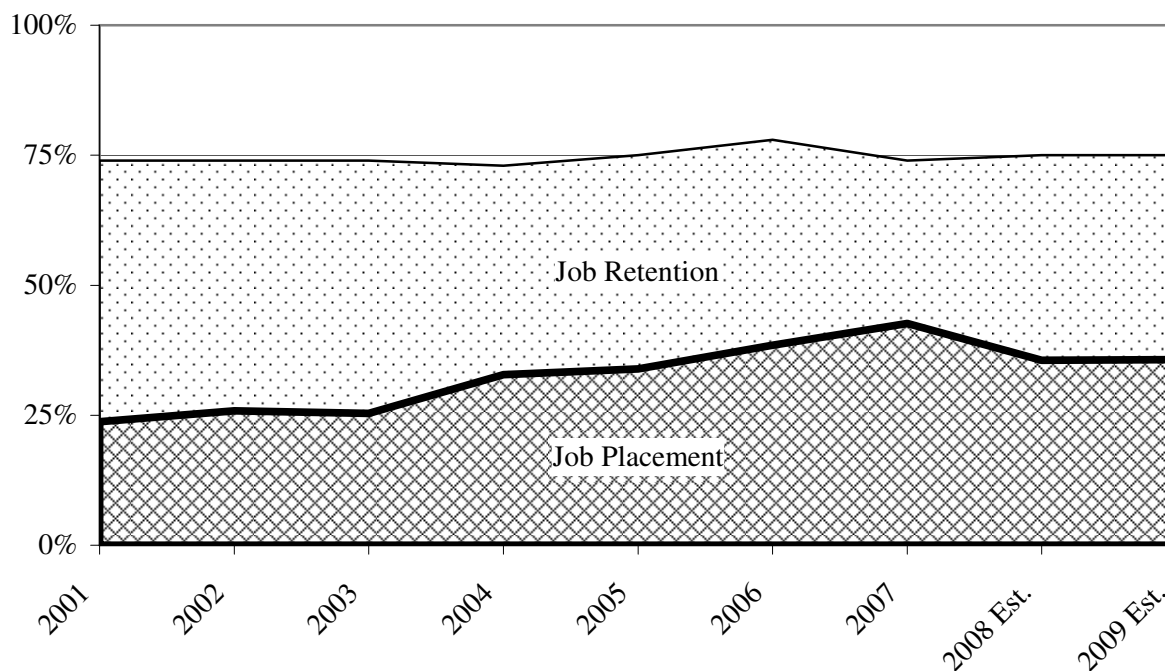


Note: This graph shows the percentage of cases with an employable adult and no children under the age of one that remain closed for at least 12 consecutive months.

Source: Governor's Budget Books, Fiscal 2009

The hope of welfare reform is not only that welfare caseloads will decline, but also that parents will get jobs and keep them, eliminating their families' needs for cash assistance. **Exhibit 2** illustrates DHR's success in this regard, showing the job placement and job retention rates. Job placements increased from fiscal 2001 to 2007 but are projected to decline in fiscal 2008 and 2009 due to the weakening economy. Job retention has remained stable over time at, or just under 75%, except for a bump up to 78% in fiscal 2006.

Exhibit 2
Job Placement and Job Retention
Fiscal 2001-2009



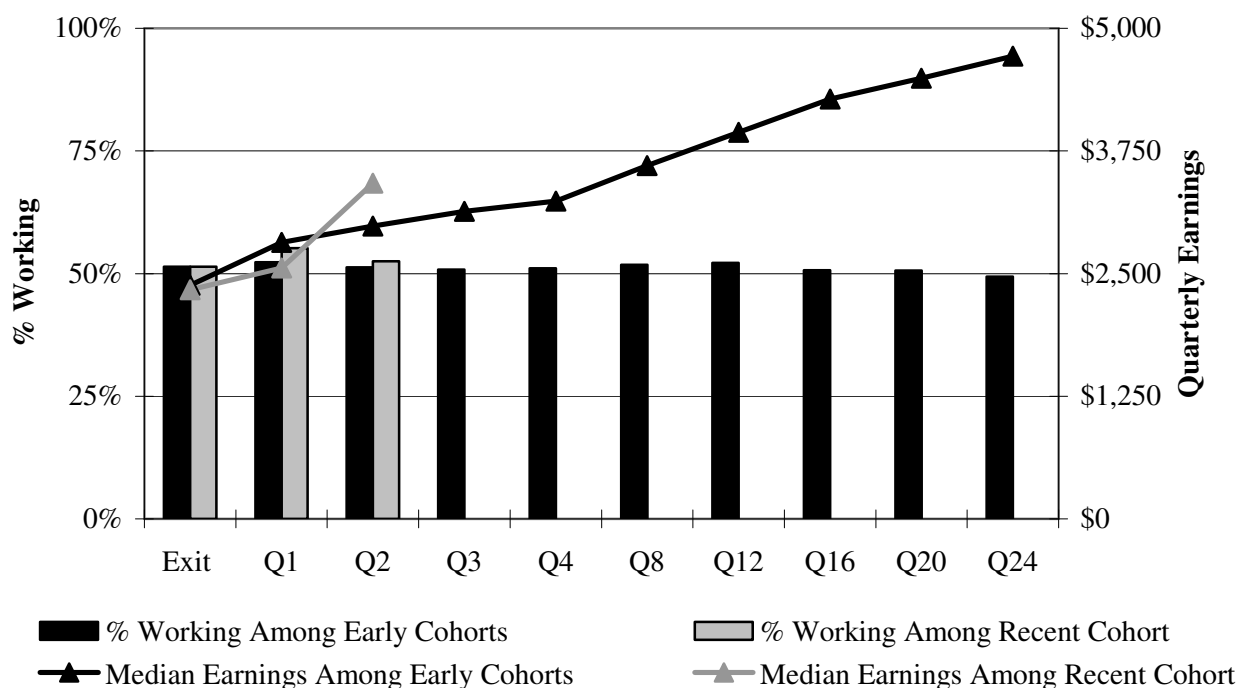
Note: Job placement measures the total number of placements as a percent of the total number of Temporary Cash Assistance cases. Job retention measures the percent of individuals who obtained employment in one calendar quarter and remain employed in the following quarter.

Source: Governor's Budget Books, Fiscal 2009; Department of Human Resources

Exhibit 3 shows the rates of employment and earnings over time for those exiting TCA. It graphs the performance on these indicators for the most recent cohort (those who exited between April 2006 and March 2007) and for earlier cohorts (those who exited between October 1996 and March 2006).

For earlier cohorts, employment remained slightly above the 50% level until the twenty-fourth quarter. Median earnings among earlier cohorts also steadily increase throughout the study period.

**Exhibit 3
Employment and Earnings After Leaving TCA**



Note: This figure is derived from data collected by the University of Maryland School of Social Work and presented in *Life After Welfare: Annual Update*, October 2007. It follows a sample of TCA leavers beginning in October 1996 through March 2007, adding 5% of new TCA leavers every quarter and excluding any that return to TCA within 30 days. These data include TCA leavers employed in Maryland in jobs covered by unemployment insurance and those working in a border state. Because the data do not include employment in non-border states, with the federal government, with multi-state employers, and in jobs not covered by unemployment insurance, it underestimates the level of post-TCA employment.

TCA: Temporary Cash Assistance

Source: *Life After Welfare: Annual Update*, October 2007, University of Maryland School of Social Work

In comparing the most recent cohort to earlier cohorts, the percent working in the two quarters following exit is slightly higher for the most recent cohort. This is the second year in a row this has occurred. With the weakening economy, this trend may reverse itself as following cohorts face tighter job markets.

Fiscal 2008 Actions

Proposed Deficiency

The allowance includes a fiscal 2008 federal fund deficiency of \$1,104,772 to improve the Food Stamp Program Access Index that measures the ratio of food stamp participants to the number of people below 125% of poverty based on census data. The funds represent a performance bonus award for the food stamp program.

Impact of Cost Containment

The fiscal 2008 cost containment actions taken by the Board of Public Works in July 2007 reduced the Family Investment budget by \$8,482,413 in general funds and \$626,216 in matching federal funds. The largest reductions, all in general funds, were made in assistance payments. Funding for TCA payments was reduced by just over \$3.1 million based on an expected caseload decline. The Emergency Assistance to Families with Children program and Welfare Avoidance Grants were switched to 100% TANF funding, freeing up general funds of \$3.2 million and \$1.75 million, respectively. The remaining general fund reduction made to Family Investment (\$426,626) and the entire federal fund reduction resulted from general administrative savings resulting from keeping positions vacant and other cost saving measures.

Governor’s Proposed Budget

As shown in **Exhibit 4**, the total budget for Family Investment increases in fiscal 2009 by \$37.6 million representing a 5.4% increase. The underlying fiscal 2009 budget change for this agency, absent health insurance and Other Post Employment Benefits funding which distorts year-to-year comparisons, is \$28.6 million, or 4.2%.

Exhibit 4
Governor’s Proposed Budget
DHR – Family Investment
(\$ in Thousands)

How Much It Grows:	General Fund	Special Fund	Federal Fund	Total
2008 Working Appropriation	\$98,612	\$15,578	\$583,770	\$697,960
2009 Governor’s Allowance	<u>98,987</u>	<u>15,662</u>	<u>620,926</u>	<u>735,576</u>
Amount Change	\$375	\$84	\$37,156	\$37,616
Percent Change	0.4%	0.5%	6.4%	5.4%

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Where It Goes:

Personnel Expenses

Health insurance – reduce long-term Other Post Employment Benefits liability	\$6,479
Health insurance – pay-as-you-go costs	2,877
Increments and other compensation	2,316
Reduce turnover rate from 6.52% to 4.99%	1,364
Reclassifications	236
Employee retirement/deferred compensation	114
Overtime	14
Fiscal 2008 Budget Section 45 – one-time hiring freeze savings	-209
Abolished 35.5 positions as part of 500 position reduction mandated in legislation passed during the 2007 special session	-1,397
Other fringe benefit adjustments	271

Benefit Programs

Increase in food stamp average grant	12,206
Increased food stamp program caseload	12,007
Caseload increase for Public Assistance for Adults	439
Increase in Burial Assistance	54
Increase in Temporary Cash Assistance (TCA) caseload from 49,239 to 49,250	25
Decreased caseload in Refugee Assistance	-340

Work Opportunities

Various Work Opportunities contracts	1,331
Prince George’s County Work Opportunity Initiatives for TCA customers	598
Stipends and tuition for Baltimore City’s Specialized Training and Support	249
Decreased use of contractual employees in Work Opportunities Program	-765
WORKs information system funding transferred to Office of Technology for Human Services	-1,400

Other Changes

Increased rent	627
Non-custodial Parent Employment Program contractual services	500
Montgomery County grant	216
Reinvestment Error Reduction Project contract	-421
University of Maryland, Baltimore research project contract	-463

Other

	689
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Total

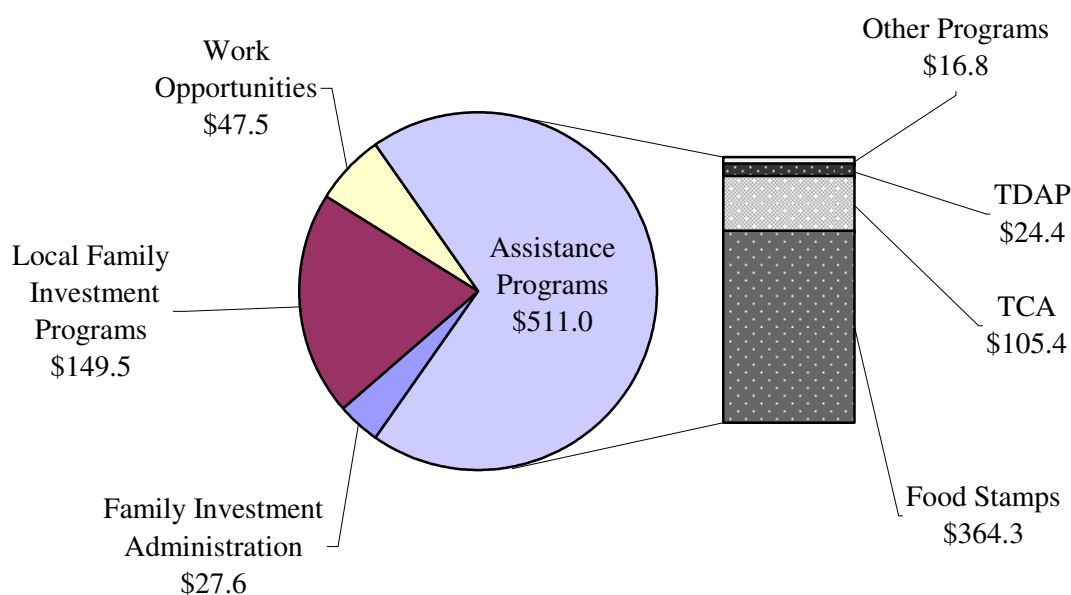
	\$37,616
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Note: Numbers may not sum to total due to rounding.

Benefits and Services to Clients

Exhibit 5 shows the fiscal 2009 allowance for Family Investment. Major assistance programs make up just under 70% of the total.

Exhibit 5
Family Investment
Fiscal 2009 Allowance
(\$ in Millions)



TCA: Temporary Cash Assistance

TDAP: Temporary Disability Assistance Program

Note: “Other Programs” comprises General Public Assistance, Burial Assistance, Eviction Assistance, Welfare Avoidance Grants, Emergency Assistance to Families with Children, and Public Assistance to Adults.

Source: Governor’s Budget Books, Fiscal 2009; Department of Human Resources

- Food Stamps:** A majority of the increase in assistance payments occurs in Food Stamps which increases \$24.2 million over fiscal 2008 to reflect an increase in the average monthly caseload from 138,710 to 143,607 and an increase in the average grant from \$204.33 to \$211.41. Since October 1, 2003, when immigrant children were made eligible for federal food stamps, no State funds have been budgeted for the Food Stamp Program.

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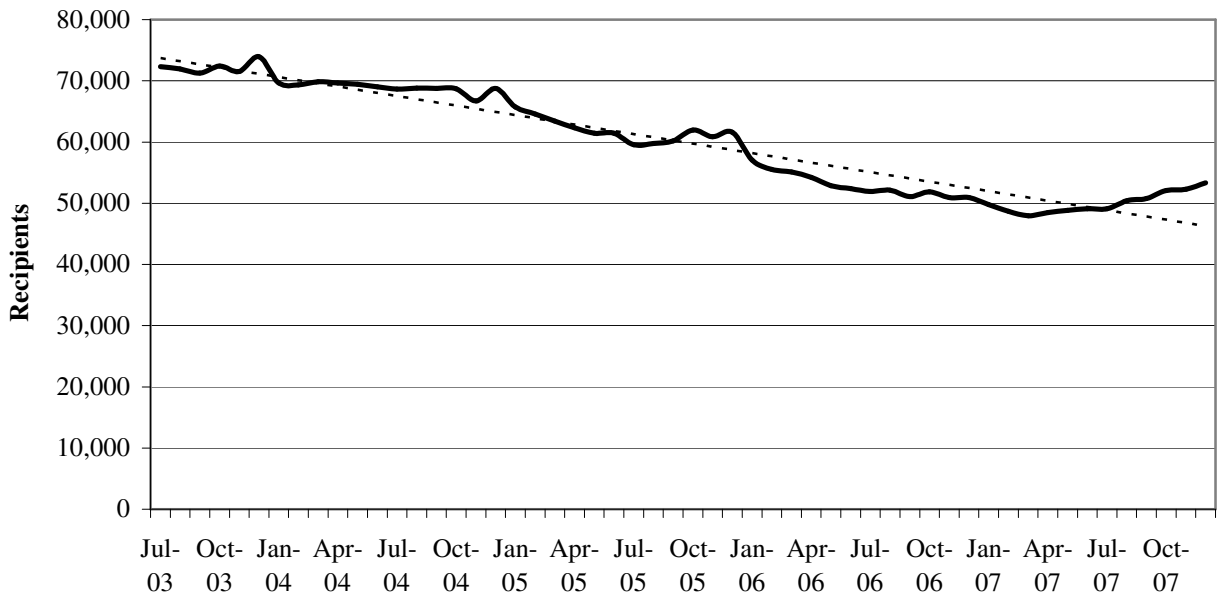
- **TCA:** The allowance for TCA increases by \$24,964 reflecting a general fund decrease of \$374,501 offset by a federal fund increase of \$399,465. The fiscal 2009 allowance does not provide an increase to the grant levels. DHR estimates that the increase in the food stamp grant will be sufficient, when combined with the current level TCA grant, to meet the 61% of the Maryland Minimum Living Level as required by statute.
- **Public Assistance to Adults:** The fiscal 2009 allowance increases by \$438,819 to reflect an increase in the Domiciliary Care recipient count from 2,438 to 2,830.
- **Burial Assistance:** The increase of \$54,577 in fiscal 2009 is due to an increase in the grant amount (from \$1,265 in fiscal 2008 to \$1,592 in fiscal 2009) offset slightly by a caseload decline estimated to result in 93 fewer cases in fiscal 2009.
- **Emergency Assistance to Families with Children:** The allowance remains unchanged from the current year. General funds were removed from this program as part of the fiscal 2008 cost containment effort with the intention that funding would be provided 100% through TANF. This program receives no increased federal funding in the allowance. DHR indicates that this is an oversight and that it will assess the sufficiency of the overall Assistance Payments appropriation at the close of fiscal 2008 and, if needed, a deficiency appropriation will be sought during the 2009 legislative session.
- **General Public Assistance – Refugees:** The fiscal 2009 allowance decreases by \$339,973 reflecting a drop in the estimated monthly recipient count from 312 to the fiscal 2007 actual level of 162.
- **Temporary Disability Assistance Program, Welfare Avoidance Grants, and Eviction Assistance:** These programs are all level-funded in fiscal 2009.
- **Work Opportunities:** The Work Opportunities program is not a benefit program but pays for services to clients such as skills assessment, job readiness, job training, and job search services. The program is funded entirely from federal TANF funds and increases by \$809,164 due to personnel costs, increases in various work program contracts, and grants.

Issues

1. The TCA Caseload Is Increasing and Could Require Additional General Fund Support Beginning in Fiscal 2009

In the early years of welfare reform, Maryland experienced rapid reductions in the number of TCA recipients. After dropping at rates exceeding 20% per year during the 1990s, the pace of caseload decline slowed considerably. The average annual decline between 2000 and 2004 was just 2.9%. The pace of caseload decline picked up considerably in fiscal 2005 with a decline of 7.2% followed by even bigger declines of 12.4% and 12.9% in fiscal 2006 and 2007, respectively. Since March of 2007, however, the TCA caseload has increased each month and as of December 2007, the TCA caseload stood at 53,316, an increase of 5,367 during this period. This upward trend in the caseload is seen clearly in **Exhibit 6** which graphs the monthly TCA caseload from the beginning of fiscal 2004 through the midpoint of fiscal 2008.

**Exhibit 6
TCA Caseload by Month**



TCA: Temporary Cash Assistance

Note: The dotted line is the trend line.

Source: Department of Human Resources

Exhibit 7 shows the TCA caseload, average grant amount, general fund appropriation, and total appropriation for fiscal 2006 through 2009. Italicized are projections made by the Department of Legislative Services (DLS). Based on the current economic conditions, DLS assumes that the caseload will continue to increase at the rate experienced since March 2007, which will result in an average monthly caseload of 53,701 for fiscal 2008. Since the TCA budget is based on an average monthly caseload of 49,239, fiscal 2008 is likely underfunded by just over \$14.0 million. As a middle-of-the-road scenario, the DLS estimate assumes that the average monthly caseload for fiscal 2009 will equal that of 2008, and that the fiscal 2009 allowance is also underfunded by just over \$14.1 million. Based on these estimates, the TANF balance is sufficient to cover the shortfall in fiscal 2008 but is exhausted in fiscal 2009. A general fund deficiency of almost \$12.0 million will be needed for fiscal 2009 and increased general fund support, or reductions in non-TCA TANF spending will be needed in future years until the caseload drops back to the 49,000 range. Exhausting the balance will also limit new initiatives which might be TANF eligible.

Exhibit 7
TCA Enrollment and Funding Trends
Fiscal 2006-2009

	Fiscal 2006	Fiscal 2007	Fiscal 2008	Fiscal 2009
	<u>Actual</u>	<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u>
Average Monthly Enrollment	57,589	50,149	<i>53,701</i>	<i>53,701</i>
Average Monthly Grant	\$150.23	\$164.43	<i>\$185.42</i>	<i>\$185.42</i>
Budgeted Funds in Millions				
General Funds	\$16.4	\$12.7	<i>\$7.0</i>	<i>\$6.6</i>
Total Funds	\$103.8	\$98.1	<i>\$105.4</i>	<i>\$105.4</i>
DLS Estimate			<i>\$119.5</i>	<i>\$119.5</i>
Difference			<i>-\$14.1</i>	<i>-\$14.1</i>
General Fund Shortfall				<i>-\$11.8</i>

DLS: Department of Legislative Services

TCA: Temporary Cash Assistance.

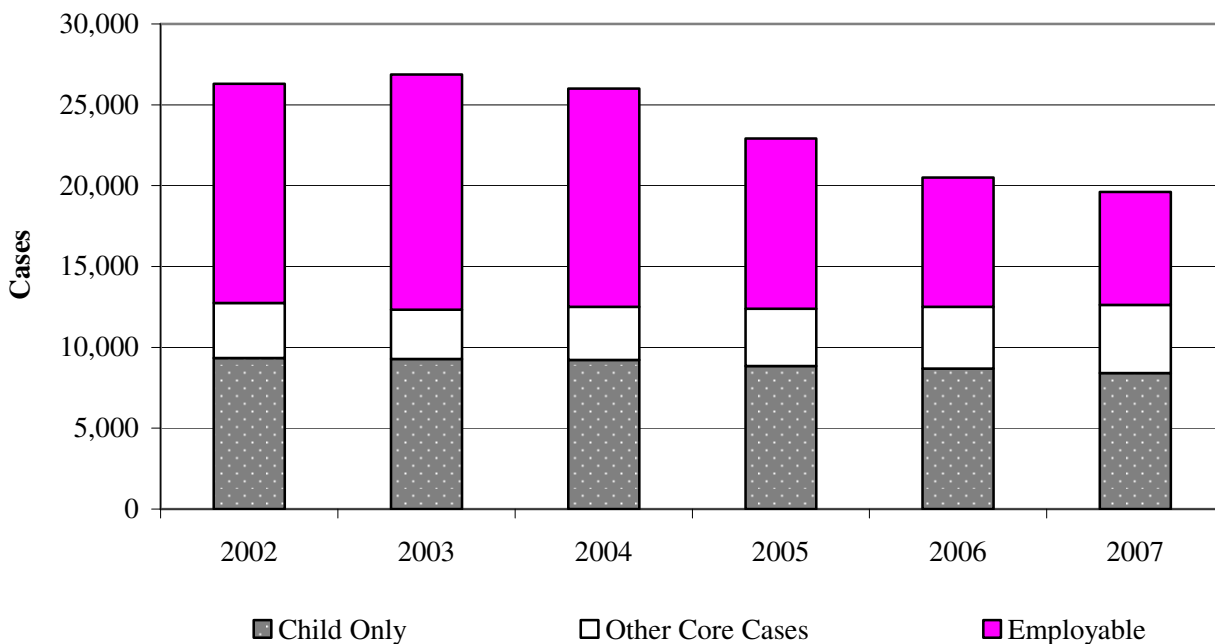
Source: Department of Human Resources; Department of Legislative Services

The fiscal 2009 allowance does not include funding for an increase in the TCA average grant amount. DHR believes that the food stamp benefit will increase sufficiently that, when combined with the current level TCA grant, it will equal 61% of the Maryland Minimum Living Level as required by Section 52(c) of the DHR article.

Characteristics of the Current Caseload

To track recipients needing employment services, DHR divides the caseload into two main groups: (1) the “core” caseload; and (2) cases headed by an employable adult. The core cases include child only cases, women with children under age one, disabled cases, caretaker relatives, and other cases exempted from work requirements. With the exception of women with children under age one, DHR does not expect the core cases to transition off cash assistance by seeking employment. Child only cases, for example, typically leave the rolls after reaching adulthood. As employable adults have successfully entered the labor market, the core cases have represented an increasing percentage of the total TCA caseload. As shown in **Exhibit 8**, while the total caseloads have declined since 2003, the non-employable core caseload has remained virtually the same. As a result, the non-employable core caseload – as a percent of total caseload – has increased from just under 46% in 2003 to 64% in 2007. The employable caseload declined from just over 54% in 2003 to 36% in 2007.

Exhibit 8
Characteristics of the Current Caseload
July Caseloads
Fiscal 2002-2007



Source: Department of Human Resources

In the early years of welfare reform, DHR concentrated on serving those easiest to place in employment. Through its successful efforts, most of these cases have transitioned from welfare to work. Now, the remaining cases headed by an employable adult typically face multiple barriers to employment such as substance abuse and/or mental health issues, poor work histories, low educational attainment, and limited access to transportation and child care. To realize further caseload reductions, DHR must continue to provide intensive services to help these employable adults enter and remain in the labor force.

Five-year Lifetime Limit on Receipt of Cash Assistance

Moving employable adults to self-sufficiency is of particular importance in light of the federal limit placed on receipts of cash assistance. Federal law prohibits cases headed by an adult from receiving TANF funded cash benefits for more than five cumulative years. However, federal law also provides exemptions to the time limit for “hardship” as defined by the State. Under this provision, 20% of the caseload receiving TANF-funded cash assistance from the previous federal fiscal year may continue to receive these benefits beyond five years.

September 2007 was the sixty-ninth month in which some families had reached the five-year benefit limit. The annual average number of families receiving TANF assistance during federal fiscal 2007 was 18,535. The annual average number of cases headed by adults that received assistance for more than 60 months during federal fiscal 2005 was 1,295. Since this number is below the 20% exemption limit for federal fiscal 2007 of 3,706, no one was removed from the caseload. According to DHR’s projections, the earliest that any recipient would lose benefits because of the time limit is federal fiscal 2014. Until that time, the department expects to accommodate, under federal hardship exemptions, all families who cooperate with program requirements.

DHR should brief the committees on whether it would focus more on reducing TANF expenditures or on seeking additional general funds should an increased TCA caseload exhaust the TANF balance.

2. Final TANF Regulation to Take Effect October 1, 2008

Since June 29, 2006, state TANF programs have been subject to interim final rules written to implement changes to TANF required under the reauthorization of TANF as part of the federal Deficit Reduction Act of 2005. The final rules were published in the *Federal Register* on February 5, 2008, and go into effect on October 1, 2008.

The U.S. Department of Health and Human Services made changes to the interim final rules in response to concerns expressed by the states. According to a summary by the National Conference of State Legislatures, the major changes to the final rule:

- give states more flexibility to offer post-secondary and vocational education;

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- confirm states' use of "excess Maintenance of Efforts (MOE) claims" to increase the caseload reduction credit;
- give states flexibility by allowing them to count holidays and "excused absences" from unpaid activities;
- help states meet participation rates when there is a conflict with labor laws limiting how many hours they can require parents to participate;
- recognize that states may use state-funded, non-MOE programs to remove non-working families from the work participation rate;
- recognize the use of post-employment programs that provide assistance to families who earn too much to be eligible for regular TANF payments so that those families remain in the work participation rate; and
- give states more flexibility to provide barrier reduction activities.

DHR should brief the committees on how the final TANF rule will affect efforts at meeting the federal work participation rate and whether any changes to Maryland law or regulation will be required as a result of the final TANF rule.

3. Local Family Investment Offices Experiencing High Vacancy Rates, Especially in Income Maintenance Specialists Classifications

As of December 31, 2007, there were 167 vacant positions in the Local Family Investment Program for a vacancy rate of 8.7% (excluding positions abolished in the fiscal 2009 allowance). Nearly 80% of the vacancies were Income Maintenance Specialist or Income Maintenance Supervisor positions. These are the positions responsible for eligibility determinations and re-determinations for benefits such as food stamps, TCA, and Medicaid. Anecdotal evidence suggests that Family Investment clients are experiencing long waits when applying for benefits. **Exhibit 9** shows the position status for Income Maintenance positions by local Department of Social Services. The overall vacancy rate for Income Maintenance positions was 9.1%. A few local departments, however, had rates well in excess of the statewide total, notably Baltimore County which had nearly 22% of its Income Maintenance positions vacant.

Exhibit 9
Income Maintenance Position Status by Local Department
As of December 31, 2007

<u>Local DSS</u>	<u>Filled</u>	<u>Vacant</u>	<u>Total</u>	<u>% Vacant</u>
Allegany	39.80		39.80	0.0%
Anne Arundel	66.50	4.00	70.50	5.7%
Baltimore City	493.50	54.00	547.50	9.9%
Baltimore	110.00	30.50	140.50	21.7%
Calvert	18.50		18.50	0.0%
Caroline	11.00	1.00	12.00	8.3%
Carroll	18.00		18.00	0.0%
Cecil	23.00	2.00	25.00	8.0%
Charles	21.00	2.00	23.00	8.7%
Dorchester	17.50		17.50	0.0%
Frederick	20.50	4.00	24.50	16.3%
Garrett	13.50		13.50	0.0%
Harford	38.00	2.00	40.00	5.0%
Howard	20.00	2.00	22.00	9.1%
Kent	6.00		6.00	0.0%
Prince George's	166.00	10.00	176.00	5.7%
Queen Anne's	7.50		7.50	0.0%
St. Mary's	13.00	3.00	16.00	18.8%
Somerset	14.62		14.62	0.0%
Talbot	9.00	1.00	10.00	10.0%
Washington	36.00	2.50	38.50	6.5%
Wicomico	31.00	3.00	34.00	8.8%
Worcester	14.50		14.50	0.0%
Total	1,208.42	121.00	1,329.42	9.1%

DSS: Department of Social Services

Note: Montgomery County is not included because it receives a block grant from the State and administers its own department of Social Services, the employees of which are county , not State, employees.

Source: Department of Budget and Management

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These positions are currently subject to the hiring freeze which has undoubtedly contributed to the elevated vacancy rates. At times in the past, DHR has received a blanket exemption from the hiring freeze for positions associated with benefit eligibility determinations. DHR indicates that it is seeking another blanket exemption to the freeze. **DHR should brief the committees on the status of the request for a blanket hiring freeze exemption and on other actions it is taking to minimize the impact that these vacancy levels are having on service delivery.**

Recommended Actions

	<u>Amount Reduction</u>		<u>Position Reduction</u>
1. Delete administrative specialist III position no longer detailed to the Office of the Governor. This position had been detailed to the Office of the Governor but is no longer needed there and is being transferred back to the Department of Human Resources (DHR). Since DHR has not had the use of this position, eliminating it will have no effect.	\$ 21,653	GF	1.0
	\$ 23,457	FF	
Total Reductions	\$ 45,110		1.0
Total General Fund Reductions	\$ 21,653		
Total Federal Fund Reductions	\$ 23,457		

Updates

1. Maryland Exceeds Federal Work Participation Rate for Fiscal 2007

Under TANF, 50% of the eligible caseload must be engaged at least 30 hours per week in federally approved work activities or states face a reduction in the annual TANF grant and an increased maintenance of effort requirement. For Maryland, the penalties and increased maintenance of effort requirement would total approximately \$34 million per year.

When TANF was reauthorized as part of the Deficit Reduction Act of 2005, changes were made to the activities that count toward work participation, and the caseload reduction credit was recalibrated to include only caseload reductions experienced since federal fiscal 2005. Maryland's caseload reduction credit for federal fiscal 2007 was 13.5% resulting in a target work participation rate of 36.5% (50.0% minus 13.5%). DHR reports that it achieved a work participation rate of 45.1%.

For federal fiscal 2008 Maryland's target work participation rate is 30.8% based on a 19.2% caseload reduction credit. DHR indicates that as of November 2007, 663 more cases were meeting the work participation requirements than were required to meet the target 30.8% rate.

2. Recommendations of the Task Force to Study Incentives for Teen Parents to Stay in School to Be Implemented in Fiscal 2009

Committee narrative in the 2007 *Joint Chairmen's Report* asked DHR to convene a task force to study incentives for teen parents receiving Temporary Cash Assistance payments to stay in school. The task force made three recommendations:

- an incentive of \$100 each year for high school children receiving TCA who progress to the next grade;
- an incentive of \$25 for each prenatal doctor's visit for pregnant teens; and
- development of a program by the University of Maryland School of Social Work that focuses on preventing teen pregnancies among Latina teens and foster care children.

The estimated cost of these recommendations is \$891,000 in fiscal 2009. Although the recommendations of the task force were not available in time to meet the budget submission timelines for specific funding, DHR indicates that it will fund the recommendations using TANF funds since these efforts meet the requirements for TANF funding.

Current and Prior Year Budgets

Current and Prior Year Budgets Family Investment (\$ in Thousands)

	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Reimb. Fund</u>	<u>Total</u>
Fiscal 2007					
Legislative Appropriation	\$97,268	\$15,432	\$563,465	\$0	\$676,164
Deficiency Appropriation	8,000	0	-7,727	0	273
Budget Amendments	6,110	1,130	24,844	0	32,084
Reversions and Cancellations	0	-412	-24,622	0	-25,034
Actual Expenditures	\$111,378	\$16,150	\$0	\$0	\$683,488
Fiscal 2008					
Legislative Appropriation	\$106,392	\$15,541	\$584,396	\$0	\$706,329
Cost Containment	-8,482	0	-626	0	-9,109
Budget Amendments	703	37	0	0	740
Working Appropriation	\$98,612	\$15,578	\$583,770	\$0	\$697,960

Note: Numbers may not sum to total due to rounding.

Fiscal 2007

The fiscal 2007 budget for Family Investment closed out \$7.3 million higher than the legislative appropriation. This increase was the net result of increases by deficiency appropriations and budget amendments totaling \$32.4 million, partially offset by year-end cancellations of \$25.0 million.

General funds increased a total of \$14,110,162. A deficiency appropriation of \$8 million was required because insufficient general funds were included in the original budget to provide the required State match to federal funds. Budget amendments added \$6,110,223 to the general fund appropriation. Increases for the general salary increase (\$946,317) and to cover federal fund attainment shortfalls due to the falling Temporary Cash Assistance caseload (\$6,773,098) were partially offset by general funds not needed for cash assistance due to the declining caseload (\$445,881) and unspent funds budgeted for consultant fees, for food stamp error reduction efforts, and for workforce development and training grants. (\$1,163,302).

Special funds increased by a net of \$718,450 comprising increases via budget amendment for the general salary increase (\$28,506) and to reflect greater than anticipated local government participation (\$1,101,755) partially offset by a cancellation of \$411,811 due to lower than expected Child Support Offset Temporary Cash Assistance collections.

Federal funds decreased by a net of \$7.5 million. Deficiency appropriations resulted in a net decrease of \$7,727,198 and comprised an increase of \$272,802 for computer information systems and for the Food Stamp Nutrition Education Program offset by a withdrawal of \$8.0 million in TANF funds which were replaced by general funds. Budget amendments increased federal funds by a net \$24,843,626 comprising a withdrawal of \$868,956 in TANF funds unspent for the Family Investment Program demonstration projects and an increase of \$25,712,582 for food stamps due to higher than anticipated caseloads. Food stamp benefits are funded entirely from federal funds. Federal fund cancellations totaling \$24,621,647 were made at the end of the year and resulted from lower than expected TANF eligible activities related to the declining TCA caseload (\$10,524,146); delays in filling new Work Opportunity Specialist positions and delays in expending funds for information system enhancements needed to comply with requirements imposed in the reauthorization of the TANF program (\$12,187,895); unexpended funds originally budgeted for the maintenance and enhancement of various computer systems (\$1,335,162); and funds budgeted for Welfare Avoidance Grants and Refugee Assistance that were unexpended due to lower than expected caseloads (\$574,444).

Fiscal 2008

The fiscal 2008 working appropriation is \$8,368,766 lower than the legislative appropriation. Increases for the general salary increase (\$702,540 general funds, 37,323 special funds) are offset by cost containment reductions made by the Board of Public Works (\$8,482,413 general funds, \$626,216 federal funds). The largest reductions, all in general funds, were made in Assistance Payments. Funding for TCA payments was reduced by just over \$3.1 million based on an expected caseload

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decline. The Emergency Assistance to Families with Children program and Welfare Avoidance Grants were switched to 100% TANF funding, freeing up general funds of \$3.2 million, and \$1.75 million, respectively. The remaining general fund reduction made to Family Investment (\$426,626) and the entire federal fund reduction resulted from general administrative savings resulting from keeping positions vacant and other cost saving measures.

Audit Findings

Audit Period for Last Audit:	August 11, 2003 – March 31, 2007
Issue Date:	November 2007
Number of Findings:	7
Number of Repeat Findings:	1
% of Repeat Findings:	%
Rating: (if applicable)	n/a

- Finding 1:** Computer matches identifying ineligible recipients were not consistently performed.
- Finding 2:** FIA did not detect that computer matches performed by the Office of the Inspector General improperly excluded about 92% of the active recipients.
- Finding 3:** Approximately 52,000 recipients with missing or invalid Social Security numbers received public assistance during calendar 2006, potentially resulting in improper benefit payments.
- Finding 4:** Access to CARES was not sufficiently restricted for certain users and such access could result in unauthorized benefit payments.
- Finding 5:** Adequate procedures were not in place to ensure that qualifying disabled individuals currently receiving public assistance were referred to DEAP by the LDSSs to determine potential eligibility for federal benefits.
- Finding 6:** FIA did not verify that the services billed by the contractor were actually provided and did not approve 11 subcontractors as required by the contract.
- Finding 7:** FIA did not adequately verify billings related to State agency contracts.

*Bold denotes item repeated in full or part from preceding audit report.

Note: The one repeat finding relates to an issue at a single department of social services and will be addressed during the audit of DHR – Local Department Operations.

**Object/Fund Difference Report
DHR – Family Investment**

<u>Object/Fund</u>	<u>FY07 Actual</u>	<u>FY08 Working Appropriation</u>	<u>FY09 Allowance</u>	<u>FY08-FY09 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	2139.42	2124.92	2089.42	-35.50	-1.7%
02 Contractual	32.00	121.00	121.00	0	0%
Total Positions	2171.42	2245.92	2210.42	-35.50	-1.6%
Objects					
01 Salaries and Wages	\$ 119,210,047	\$ 111,585,638	\$ 123,649,953	\$ 12,064,315	10.8%
02 Technical and Spec. Fees	1,488,787	5,051,468	4,249,309	-802,159	-15.9%
03 Communication	1,882,355	2,121,859	2,107,381	-14,478	-0.7%
04 Travel	498,538	309,356	230,673	-78,683	-25.4%
06 Fuel and Utilities	1,224,784	1,155,008	1,197,413	42,405	3.7%
07 Motor Vehicles	48,414	36,702	41,099	4,397	12.0%
08 Contractual Services	54,686,520	57,677,246	58,204,928	527,682	0.9%
09 Supplies and Materials	943,975	723,208	755,510	32,302	4.5%
10 Equip. – Replacement	114,623	0	0	0	0.0%
11 Equip. – Additional	242,010	0	0	0	0.0%
12 Grants, Subsidies, and Contributions	490,157,076	506,431,646	531,639,570	25,207,924	5.0%
13 Fixed Charges	12,990,431	12,867,834	13,500,138	632,304	4.9%
Total Objects	\$ 683,487,560	\$ 697,959,965	\$ 735,575,974	\$ 37,616,009	5.4%
Funds					
01 General Fund	\$ 111,377,732	\$ 98,612,188	\$ 98,987,420	\$ 375,232	0.4%
03 Special Fund	16,150,146	15,577,912	15,662,405	84,493	0.5%
05 Federal Fund	555,959,682	583,769,865	620,926,149	37,156,284	6.4%
Total Funds	\$ 683,487,560	\$ 697,959,965	\$ 735,575,974	\$ 37,616,009	5.4%

Note: The fiscal 2008 appropriation does not include deficiencies.

**Fiscal Summary
DHR – Family Investment**

<u>Program/Unit</u>	<u>FY07 Actual</u>	<u>FY08 Wrk Approp</u>	<u>FY09 Allowance</u>	<u>Change</u>	<u>FY08-FY09 % Change</u>
02 Local Family Investment Program	\$ 134,994,549	\$ 136,463,603	\$ 149,500,340	\$ 13,036,737	9.6%
08 Assistance Payments	488,889,152	486,597,184	510,988,300	24,391,116	5.0%
10 Work Opportunities	33,086,913	46,648,398	47,457,562	809,164	1.7%
04 Director's Office	26,516,946	28,250,780	27,629,772	-621,008	-2.2%
Total Expenditures	\$ 683,487,560	\$ 697,959,965	\$ 735,575,974	\$ 37,616,009	5.4%
General Fund	\$ 111,377,732	\$ 98,612,188	\$ 98,987,420	\$ 375,232	0.4%
Special Fund	16,150,146	15,577,912	15,662,405	84,493	0.5%
Federal Fund	555,959,682	583,769,865	620,926,149	37,156,284	6.4%
Total Appropriations	\$ 683,487,560	\$ 697,959,965	\$ 735,575,974	\$ 37,616,009	5.4%

Note: The fiscal 2008 appropriation does not include deficiencies.